

CHAPTER 8



ALL UNDER ONE ROOF A Bureau for Diplomatic Security, 1986-1992

The Department of State's Bureau of Diplomatic Security (DS) appeared to have an auspicious beginning. With strong support from the Inman Panel, Congress, and Secretary of State George P. Shultz, DS obtained extensive monies, personnel, and other resources. Also, the Inman Panel's call for centralization of the Department's security functions resulted in several security-related offices, such as the Diplomatic Courier service and the Rewards for Justice (RFJ) program, being moved into DS. Further centralization in 1989 brought the Office of Information Management (IM) into DS, adding responsibilities for communications and computer security.

Despite strong support, increased resources, and greater authority, DS experienced a rough start. Some offices and divisions, such as the Diplomatic Couriers and Information Management (IM), did not want to join DS. Construction of the new U.S. Embassy in Moscow presented additional problems when the foundations of a Soviet listening / surveillance network were discovered in the building's support structure. The fraternization of two Marine Security Guards with known operatives of the Soviet KGB (*Komitet Gosudarstvennoy Bezopasnosti*, or State Security Service) further undermined confidence in the Department's management of security. Then, in 1990 and 1991, when the Soviet Union collapsed, many believed that the security threat posed by the Soviet Union had ceased to exist. Congress cut funds



Figure 1: August 10, 1988: Secretary of State George P. Shultz (center left, dark suit) arrives in Quito, Ecuador, for the inauguration of President Rodrigo Borja. Secretary Shultz is followed by the U.S. Embassy Regional Security Officer (left of Shultz, in a white dress) and by two DS Special Agents on his protective detail (center rear, tall, in dress suits). On the previous day, drug lords had bombed the Secretary's motorcade during his visit to La Paz, Bolivia. Source: Private collection.

and staff, and IM left the bureau. DS shifted to a “risk management” strategy, focusing its now-limited resources upon those overseas posts facing the highest security threats.

A New, Expanded Bureau for Diplomatic Security



Figure 2: Robert E. Lamb, Assistant Secretary of State for the Bureau of Diplomatic Security, 1985-1989. Earlier, as Assistant Secretary of Administration, Lamb supported Director David Fields' efforts to expand SY. Secretary of State George Shultz asked Lamb to oversee implementation of the Inman Panel recommendations and to serve as the first Assistant Secretary of State for DS. Source: Bureau of Diplomatic Security Files.

The new Bureau of Diplomatic Security would have been unrecognizable to Robert L. Bannerman, who created the Security Office in 1945. Headed by an Assistant Secretary of State, assisted by a Principal Deputy Assistant Secretary and a Front Office staff, DS stood in sharp contrast to Bannerman and his single secretary. Whereas Bannerman had divided the Security Office into three divisions (Background Investigations, Evaluations, and Physical Security), DS had 34 divisions, grouped into 11 offices. In fact, all three of Bannerman's divisions were now under the same Deputy Assistant Secretary, and Investigations and Evaluations were two divisions under the Office of Investigations. Furthermore, the Office of Investigations was supported by nine Field Offices across the country, a significant change from relying upon local Post Office Inspectors in 1945.¹

The new DS was also a much larger, more expansive bureau than Fields and Lamb had proposed with the Acceleration program, or that the Inman Panel had recommended. DS was divided into three parts: Operations, Policy and Counterterrorism, and Resource Management. Operations contained several of SY's “traditional” tasks, including Investigations, Protection (Secretary's detail and

Dignitary protection), Overseas Security, Security Technology (Technical Security), the Diplomatic Couriers and Counterintelligence. Policy and Counterterrorism oversaw the Threat Analysis Group, as well as the Anti-Terrorism Assistance (ATA) and Emergency Planning programs. Resource Management and Policy consisted of many programs that Victor Dikeos had promoted, including Professional Development, Administration, Management, and a new Public Affairs office that would serve as DS's liaison to the press.²

DS Agents also gained new law enforcement powers, as well as law enforcement status. DS had pressed for greater arrest authority for several years, and in 1985, in the wake of the Beirut bombings and the Inman Panel report, Congress passed Public Law 99/93, which gave DS agents the power to arrest suspects and execute search warrants. DS Agent Gerald Lopez made the first DS arrest, and then in July 1986, two DS Agents cooperated with U.S. Postal Service agents to apprehend two suspects charged with 21 counts of passport and visa fraud in Houston. The new law, however, only permitted DS Agents to make arrests and execute warrants in connection with their specific law enforcement duties, for example during visa and passport fraud investigations and dignitary protection details. If a DS Agent seized a person for passport fraud and discovered the person to be in possession of illegal drugs, the DS Agent could not arrest the individual on drug charges.³

The Special Assignments Staff (SAS) also expanded its range of investigations and began to formalize its procedures. The SAS initially focused its investigations upon homosexuals and sexual deviants; however, the Irvin Scarbeck case in the early 1960s and the Alfred Erdos case of 1972 (in which the Deputy Chief of Mission killed his male lover at the U.S. Embassy in Equatorial Guinea) helped to expand SAS's investigations to include criminal activities such as rape, drug smuggling, and murder. In previous eras, if someone did something wrong or illegal overseas, they were often shipped out and fired. In the 1973 *Erdos v. United States* decision, this changed; the U.S. Fourth Circuit Court of Appeals ruled that a U.S. embassy constituted "special maritime jurisdiction," in other words, a crime committed at a U.S. embassy or on its grounds would be treated under U.S. law just like a crime committed on a U.S. ship. As a result, SAS had to document and process the person and the crime,



Figure 3: DS trainers simulate a terrorist incident aboard an airplane in 1988. As terrorism became a preeminent threat, DS, with its expanded resources, developed specialized security training for U.S. Ambassadors and other Department personnel. U.S. Ambassador-designate to Czechoslovakia Shirley Temple Black (right) participates with others in this particular exercise. Source: Department of State.



Figure 4: Louis Schwartz, Jr., Director of the Diplomatic Security Service and Principal Deputy Assistant Secretary of State for Diplomatic Security, 1986-1988. Source: Bureau of Diplomatic Security Files.



Figure 5: Clark M. Dittmer, Director of the Diplomatic Security Service and Principal Deputy Assistant Secretary for Diplomatic Security, 1988-1993. Open to new and promising ideas, Dittmer was instrumental in expanding the Criminal Investigations office and creating the Counter-Terrorism office. Source: Bureau of Diplomatic Security Files.

prompting SAS to develop formal techniques for criminal investigations.⁴

With the creation of DS, Criminal Investigations—SAS had changed its name in the early 1980s—expanded significantly under the direction of Clark M. Dittmer. In 1982, only three agents worked in Criminal Investigations (CI), but by 1986 under DS, the office had grown to ten people. Dittmer began to formalize CI's procedures and practices and tasked Special Agent Jimmy Hush to write a manual, which detailed investigative procedures, and provided guidance for new DS agents entering the CI office. In writing the manual, which appeared in 1986-87, Hush borrowed procedures and practices from the Secret Service, the FBI, the New York City Police Department, and the Los Angeles Police Department, among others.⁵

Under DS, the Secretary of State's protective detail expanded, and Secretary Shultz had a much larger detail than any previous Secretary. Before the Inman Panel, the Secretary's detail numbered only about 30 agents, but in its review, the Inman Panel recommended that DS double the budget and personnel for the Secretary's detail. After the Inman Panel, DS added agents to the detail, raising Secretary

Shultz's detail to 41 agents. The Secretary's detail, however, fluctuated in size according to the level of security that each subsequent Secretary desired. The detail for Secretary James A. Baker III (1989-1992) numbered 34 agents, and when Secretary Lawrence Eagleburger assumed the office in 1992, the detail shrank to 30 agents.⁶

DS considered other security measures for the Secretary, such as a secure telephone booth and a Secretary's residence. Since Secretary Shultz traveled more than most Secretaries of State, DS developed a "telephone booth" to ensure that the Secretary could make calls without worries of talking in a "bugged" room. Two U.S. Navy Seabees accompanied Shultz and set up the telephone booth in his room. DS also proposed creating an official residence for the Secretary of State, an idea first suggested during the SY days. Prior to the Inman Panel, Secretaries either owned or leased their residences, which made it costly to install such physical security measures as alarm systems and

bullet resistant glass. Given the increasing number of threats to the Secretary and the development of sophisticated timing devices in the 1970s, DS had deemed a Secretary's residence a necessity. Although the Secretary's detail was expanded under the new DS, the cost of a residence proved too much even for the Inman Panel to recommend, and the idea did not get sufficient support.⁷

Further improvements in security occurred for the Harry S Truman Building ("Main State,") after the 1985 murder of a Department employee. A young man entered the building with a gun, went to a seventh floor office—the same floor as the Office of the Secretary of State—and murdered his mother. The murder prompted the Department to tighten access and visitor controls to Main State. DS installed an automated card reader system at Main State's entrances, erected barriers at driveway entrances, and in 1987, introduced a domestic Uniformed Protective Officer contract program. Also, in 1987, DS sought to promote security among Department personnel by holding its first annual Security Awareness Day in the Department's Exhibit Hall; most of DS's offices gave demonstrations. In 1988, DS installed magnetometers and x-ray screening, and required all visitors to Main State to pass through them. DS set up a press visiting area and required all Eastern Bloc reporters to be escorted while in the Department. In October 1989, uniformed security guards contracted by DS assumed access control duties and regular patrols at Main State and ten Department annexes in the Washington area.⁸



Figure 6: A DS Security Engineering Officer tests the Secretary of State's "telephone booth." The booth allows the Secretary to have a secure conversation even if his/her room is bugged with a listening device. Secretary of State George Shultz was the first to use the booth. Source: Bureau of Diplomatic Security Files.

The Rewards for Justice Program

Under the new DS, the Rewards for Justice program (RFJ) expanded its efforts and outreach, largely due to the efforts of Special Agent Brad Smith. Initially created as "Rewards for Information," the RFJ offered money in exchange for information that led to the arrest or conviction of terrorists, but awareness of the program remained limited. Assistant Secretary of State for Diplomatic Security Robert Lamb and Ambassador at Large for Counter-Terrorism L. Paul Bremer concluded that the Department had not sufficiently advertised the RFJ.

As a result, DS conducted a poster campaign at all U.S. embassies, consulates, and passport agencies in April 1987, publicizing rewards for information about five terrorist incidents. Despite the greater distribution, the poster campaign did not yield any tips that resulted in convictions. DS and S/CT then decided to expand the publicity campaign further. They ordered new posters in English, Arabic, French, German, and Spanish, but the posters were displayed in U.S. facilities and Interpol offices, not public spaces. The Department considered media releases through U.S. Government media channels and, in the most high-risk areas, paid advertising in host country media.⁹

The structure of the RFJ program added other difficulties. Several rewards approved in 1985 and 1986 remained unpaid in 1990, even though the funds had been designated. The unpaid rewards prevented the Department of State from asking for funds to pay rewards approved in 1988 and 1989, some of which led to the conviction of TWA 847 hijacker Fawas Yunis. DS agents also recognized that the Bureau's policy of requiring informers to report directly to U.S. officials in U.S. facilities discouraged those who feared discovery and repercussions. To correct this, DS established a special post office box that allowed informers to contact U.S. officials by mail rather than appearing at a U.S. embassy.¹⁰

In response to the December 1988 terrorist bombing of Pan American Flight 103 over Lockerbie, Scotland, the U.S. Government and the airline industry raised the amount of the rewards. President George H. W. Bush signed legislation that increased RFJ awards to \$2 million, and the Air Line Pilots Association agreed to match any Department of State reward for terrorist acts against U.S. air carriers, up to \$1 million. The Air Transport Association added another \$1 million, raising the possible reward amount to \$4 million.

Although the larger rewards raised the RFJ profile, DS met resistance from some Foreign Service Officers who disliked the more “black and white” law enforcement approach.¹¹

DS Agent Brad Smith creatively and successfully increased public awareness and the effectiveness of the RFJ program. He improved foreign language publicity efforts, ran advertisements in Arab press outlets, and produced radio and television spots with stars such as Charlton Heston and Charles Bronson. Noting that smoking was very popular in the Middle East, Smith implemented the “matchbook cover” campaign. Printed in Arabic, the matchbooks detailed reward amounts, described how to submit information, and featured illustrations of known



Figure 7: Matchbook covers of the Rewards for Justice program, including one for Osama bin Laden. The matchbooks are placed in local stores that sell cigarettes and thereby provide exposure to segments of the population that posters in a U.S. embassy or diplomatic facility would not reach. Source: Bureau of Diplomatic Security Files.

suspects. The matchbooks were placed in local stores. To improve the discretion and security of communications channels for those offering information, DS set up telephone hotlines at relevant embassies. Smith later developed a website for the RFJ program.¹²

Overseas Security Advisory Council

The increase in the number of terrorist attacks focused attention upon the security and safety of U.S. citizens living and working abroad, which led to another addition to DS—the Overseas Security Advisory Council (OSAC). U.S. corporations with overseas operations grew concerned about the security of their U.S. citizen employees. Speaking to the American Society for Industrial Security in 1984, Secretary of State Shultz announced that he would create a council that would bring together corporate executives and Department officials to discuss terrorism and share information related to security. Shultz then asked Assistant Secretary Lamb and Deputy Assistant Secretary Fields to put the council together. Sixteen major corporations initially joined OSAC, including Citibank, Bechtel, Boeing, Exxon, IBM, and Pan American Airlines. The Inman Panel strongly endorsed OSAC, asserting that while the Department did not have an official responsibility to protect private citizens, businesses, and other organizations operating abroad, it did have a moral obligation to provide them with some guidance and information about security within a particular country.¹³

OSAC was a “huge success” from the beginning. Under the guidance of DS, OSAC sought to facilitate a dialogue between Department security experts and U.S. companies operating overseas, particularly those operating in countries considered high risk. As a service to the private sector, DS updated companies on security situations in countries, developments in protective security, and advances in security technology. Together, DS and corporate officials formulated security and crisis-response guidelines for U.S. companies operating overseas. The Department also benefited from OSAC, by preventing private corporate security forces and measures from acting at cross-purposes with DS operations.¹⁴

Initially, OSAC members focused on terrorism, hostage situations, and crime. Private companies sought information and advice from the Department



Figure 8: Created in 1984 at the initiative of Secretary George Shultz, the Overseas Security Advisory Council (OSAC) assumes new importance as terrorism emerges as the preeminent threat to U.S. citizens abroad after the Cold War. OSAC brings together DS officials and private sector leaders to share information and coordinate appropriately, to improve security for U.S. citizens working and living overseas. Source: Bureau of Diplomatic Security Files.

on the likelihood and prevention of threats. DS established a private liaison analyst group to analyze relevant data, and make its findings available to the business community on a frequently updated Overseas Security Electronic Bulletin Board. In 1990, DS began sharing the electronic bulletin board with the Bureau of Consular Affairs on a daily basis, extending the advisory service to all U.S. citizens working and traveling abroad. The sharing resulted from the “no double standard” on threat information that arose after the downing of Pan Am Flight 103. The “no double standard,” mandated by Congress, stated that U.S. Government officials and employees could not possess information on threats that was not available to the general public.¹⁵

Couriers

The Department’s well-established Diplomatic Courier service was a new addition to DS. The service came under heavy scrutiny from the Inman Panel after the 1984 discovery of Soviet bugs in typewriters at the U.S. Embassy in Moscow. Because the typewriters likely had been shipped unaccompanied rather than by courier into the Soviet Union, the Inman Panel determined that there were “serious flaws in the [courier] system.” The panel recommended transferring the courier service to the Bureau of Diplomatic Security. In doing so, the panel hoped that the courier service would retain its historic identity, while establishing a closer operational relationship with professional security agents, and thus, increase security.¹⁶ The Office of Communications (OC), which oversaw the courier service, protested the Inman Panel’s recommendation. Deputy Assistant Secretary of State for Communications Robert Ribera warned that the transfer would lead to the courier system’s “demise.” Also, after the typewriter finds, OC revised procedures and provided couriers with a cleared U.S. escort when they arrived,



Figure 9: Circa 1986, a DS Diplomatic Courier loads bagged pouches aboard an international flight at a Washington, D.C., airport. Today, Diplomatic Couriers spend tens of thousands of hours annually delivering tens of millions of pounds of classified diplomatic pouch material by air, sea, and over land, including palletized equipment for new Embassy construction. Source: Bureau of Diplomatic Security Files.

departed, or transited all posts. OC also assigned armed guards and armed vehicles to protect couriers working at high-threat posts. Despite OC’s objections, the Department transferred the Diplomatic Courier service to DS in 1985, and DS promptly added 12 positions to the courier staff and conducted a major review of pouch and courier operations.¹⁷

The concerns about diplomatic couriers may have resulted more from the Department’s demands upon the couriers rather than lax security standards. Prior to the Inman Panel, the courier service with its staff of 75 maintained its headquarters in Washington, with Regional Diplomatic Courier Divisions in Washington, Frankfurt, and Bangkok. All classified material sent from the Department to diplomatic posts

was assembled into pouches in the Diplomatic Mail and Pouch Center in Main State. Once assembled, pouches heading to Europe and Asia were then sent to the Defense Courier Service receiving station in Fort Meade, Maryland. From Fort Meade, couriers carried the pouches onboard military or commercial flights to the courier receiving stations in Frankfurt and Bangkok. In Bangkok or Frankfurt, a courier based in that city took their assigned pouches, usually on commercial flights, to delivery points on regularly scheduled routes. As required since the 1940s, couriers were expected to “never lose sight of the pouches while they are outside the cargo hold of the aircraft;” therefore, couriers often boarded the plane at the last minute. A single courier might stay in transit for as

many as 25 days in a row, visiting perhaps 10 cities on one route. Pouches headed for Africa, the Caribbean, and Latin America did not pass through the Defense Courier Service, but went to the Washington Regional Diplomatic Courier Division. At the Washington regional center, couriers followed the same procedure as those in Bangkok and Frankfurt. DS later established a regional center in Miami for pouches bound for Latin America and Africa.¹⁸

The challenge for Department of State couriers was the quantity and size of diplomatic pouches, not the structure of system and routes. By the 1980s, couriers faced a situation similar to that during the 1920s: the system had grown into what one official called a “freight hauling concern.” With the Department’s computerized communications center and improved technologies of the 1970s and 1980s, much of the Department’s correspondence (despatches, instructions, memoranda, circulars, etc) was cabled. However, as diplomacy expanded to include agriculture, finance, education, police/Interpol, and cultural exchanges, the number of agencies and personnel at U.S. embassies grew dramatically, as did the amount of information



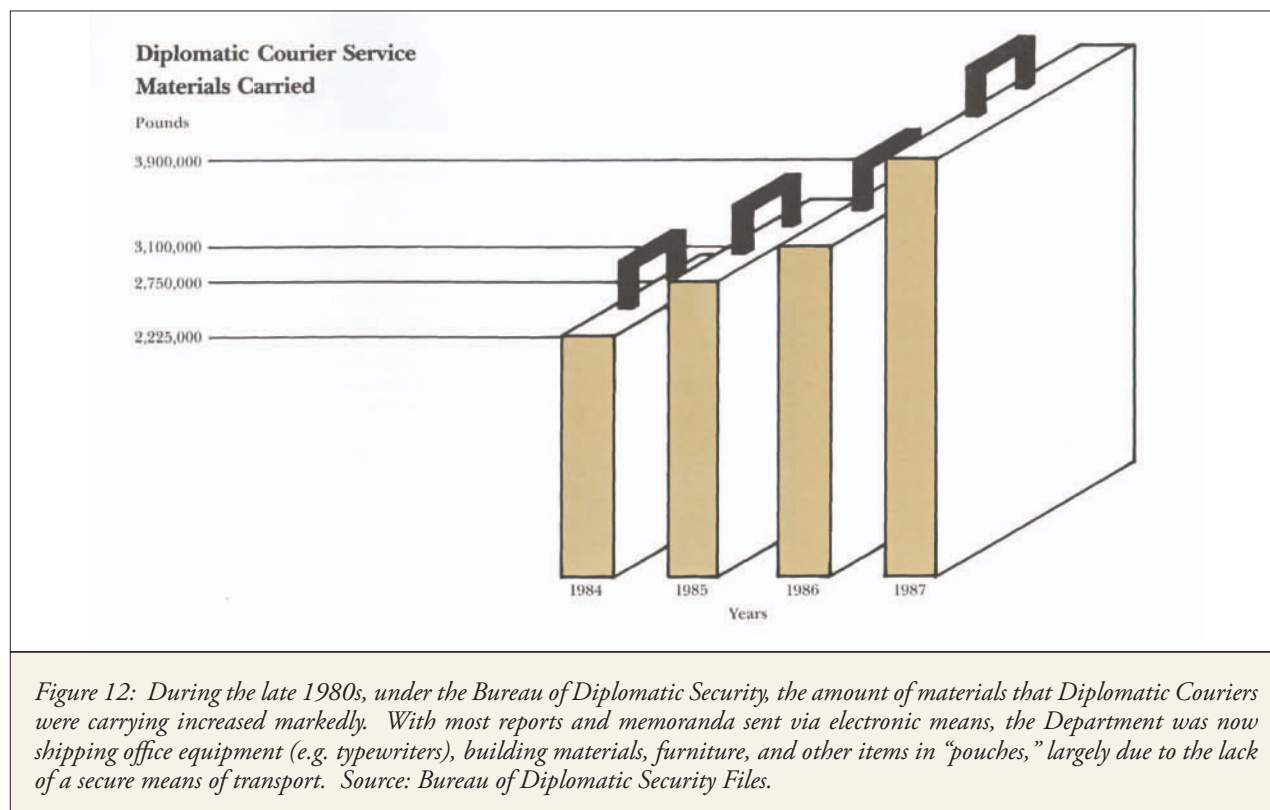
Figure 10: A Diplomatic Security Courier Escort monitors the loading of a container, or “pouch.” By the 1990s, the “old” (1920s) problem of couriers being a “freight hauling service” reemerged, and “pouches” now assumed all shapes and sizes. Source: Bureau of Diplomatic Security Files.



Figure 11: A Diplomatic Courier supervises the unloading of Department of State materials from Bahrain. After being transferred to DS, the courier system was expanded and reorganized. Under the new hub-and-spoke system, Department of State couriers now made short trips to a couple of posts. Source: Department of State.

transmitted between overseas posts and Washington. The Department estimated that the weight of its escorted pouches had increased twenty-nine fold since 1947 and would soon reach 4.5 million pounds of classified material per year.¹⁹ Couriers struggled to maintain close supervision of their pouches. DS recommended hiring U.S. escorts or planeside security watchers to enhance the security of classified pouches while couriers handled any official business. Couriers admitted that they found it “impossible to provide adequate security when trying to oversee the loading, offloading, and maneuvering what was often 16 full baggage carts through a crowded terminal.”²⁰

Whereas in the late 1940s, a courier’s pouch resembled a hand-held brief case, by the 1980s, “pouches” assumed multiple sizes and weights because the Department was shipping numerous items including office equipment and building materials via pouch. This, in part, resulted from security requirements spurred by the typewriter finds at the U.S. Embassy in Moscow, and by the lack of an alternative secure means of transport. The large size of pouches threatened to jeopardize the courier service’s protection under international law. A Department official admitted, “our broad interpretation of what may be shipped by pouch stretches the intent of...the [1961] Vienna Convention.” By 1985, 40 countries had placed restrictions on incoming diplomatic pouches, in part due to suspicion of the contents of large pouches. The General Accounting Office (GAO) warned that the United



Nations International Law Commission might revise the definition and laws governing the inviolability of pouches if the United States did not voluntarily limit its use of diplomatic pouches.²¹

Despite the warnings, the Department of State, in practice and policy, expanded the volume of materials it transported in secure pouches. A 1987 policy decision required secure transit for all building materials associated with new construction and security upgrades at overseas posts. This included all construction materials, furniture, furnishings, and supplies. Combined with the extensive program to update post security as mandated by the Omnibus Diplomatic Security and Anti-Terrorism Act of 1986, the 1987 decision guaranteed that the volume of pouch contents would increase rather than decrease.²²

After transfer of the Courier service, DS officials instituted new security guidelines for couriers. Couriers were instructed to travel in a window seat and “avoid emotional reactions” that might draw attention. Couriers were not to carry liquor, “provocative” materials, or items such as membership cards that identified political or religious affiliations that could place the courier in danger. In case of a airline hijacking or hostage situation, couriers were not to hide the nature of their duties or the location of their pouches; however, they should not volunteer any information. Upon their release, and if detained by airport officials, couriers were to take control of their pouches as soon as possible, or at least maintain visual control of the aircraft. They should immediately notify the regional courier office of the emergency situation that they were experiencing and the status of their pouches²³

After joining DS, the Diplomatic Courier service grew. By 1990, it handled more than 78 million pieces a year for approximately 40 U.S. Government agencies. In FY 1991, the Courier division’s budget was over \$20 million and had a staff of 120 employees.²⁴ DS also altered the structure of the courier system. DS shifted to a “hub and spoke” system, with couriers making short trips to one or two posts instead of regional centers with long routes and couriers stopping at several posts. The hub and spoke arrangement meant that new couriers no longer logged the many miles that their senior colleagues had. In fact, Courier Joel Bell’s record may be secure: retiring



Figure 13: Diplomatic Courier Joel Bell. After 37 years as a courier, he travelled more than 9 million miles, more than any U.S. Government employee, astronauts included. Source: Department of State.



Figure 14: The Administration building of the Russian Embassy on Mount Alto in Washington, D.C., with a security camera in the foreground. As a result of the bugs found in the structure of the new U.S. Embassy building in Moscow, U.S. officials would not allow the Russians to occupy their new embassy on Mount Alto until 1994, even though construction was completed in 1985. Source: © Associated Press.

in 1987 after 37 years as a courier, Bell travelled an estimated 9 million miles, more than any other U.S. Government employee, astronauts notwithstanding.²⁵

Breaches at Embassy Moscow

Besides diplomatic pouches, the Department confronted intense scrutiny from Congress, the press, and the public regarding security at the U.S. Embassy in Moscow. The typewriter bugs had prompted Congressional criticism of the Department's handling of security; in fact, Senator Patrick Leahy (D-Vermont) called Embassy Moscow "a sieve." Congress and the Inman Panel pressured the Department to reduce the number of Soviet nationals employed at the U.S. Embassy in Moscow and at the Soviet mission to the United Nations; in fact, Soviets in the United States outnumbered U.S. diplomats in the Soviet Union by about 100. A Department of State official acknowledged that several Soviet diplomats in the United States were KGB agents, and U.S. Embassy officials in Moscow knew of at least 50 Soviet employees who worked for the KGB. Also, U.S. Embassy officers discovered that the Soviets had employed a fine powder, popularly called "spy dust", to track Embassy personnel and their activities

in order to identify agents of other U.S. agencies. Another irritant emerged when the Soviets completed the structural shells of the last three buildings (chancery, consulate, and reception hall) at their embassy complex at Mount Alto in Washington; meanwhile, the new U.S. Embassy in Moscow languished far behind schedule and was more than \$90 million over budget.²⁶

On August 17, 1985, just after the Inman Panel released its report (and before DS was created), the Department of State, without warning, locked out all Soviet workers from the construction site of the New Embassy Office Building (NOB) in Moscow. U.S. officials had discovered that rebars in the NOB's concrete pillars had been altered to serve as antennae, that unauthorized changes had been made to the roof design, and that Soviet construction workers were caught putting objects in the concrete. In short, U.S. officials found that

collectively the alterations created the foundations of an extensive bugging network. While SY and other agency personnel were investigating the discoveries, SY Engineer John Bagnal recalled that they suddenly saw lights in a steeple of a nearby Russian church, prompting them to dub the building, the “Church of Holy Telemetry.” Upon hearing of the discoveries, John Wolf, a Security Engineering Officer who worked on the project, said that he felt like he had been “had.” Representative Connie Mack (R-Florida) described the NOB as “essentially an eight story microphone plugged into the Politburo.” It did not help that in the NOB’s façade, Soviet workers had arranged bricks of a darker shade to read “СССР” (Cyrillic for USSR) from a distance, or that the architectural firm hired to design the Embassy had employed a Russian who later moved back to the Soviet Union and disappeared.

Department officials halted construction at the NOB, and Soviet workers were locked out until an alternative plan could be determined.²⁷

The Department tried to import U.S. workers to continue NOB construction, but that too encountered difficulties. One subcontractor defaulted on three contracts and basically went bankrupt. Of 42 contractors hired by the Department, 19 did not have Defense Industrial Security Clearances, and one contractor that supplied 16 workers sent 7 workers back to the United States for not having proper security clearances. In addition, the Office of Foreign Buildings (FBO) showed a lack of coordination in managing of the construction and repairs. The new project manager sent to Moscow by FBO told a visiting group of U.S. Senate officials about his plan to fix the NOB roof, a plan that would cost \$700,000; however, FBO denied the plan was under consideration and said the repairs would only cost \$80,000. Two other FBO officials working on the same roof repair project offered conflicting descriptions of which repairs needed to be completed. Citing “poor management and coordination,” the Senate group concluded that the Department of State officials had waited too long to address construction and security problems in Moscow.²⁸

Evidence of Soviet espionage in the new NOB’s structure, and the exposed inadequacies of security and oversight at the construction site prompted the new Bureau of Diplomatic Security to create the Construction Security program. Organized by John Wolf, DS assigned a construction security team to each FBO project. The team included a site security manager, Seabees, and cleared U.S. guards. The Seabees would conduct surveillance



Figure 15: The New Office Building at the U.S. Embassy in Moscow. Due to the bugging system discovered in the structure of the red brick building, the United States expelled the Soviet workers, tore down the upper floors (to the base of the fifth floor), inserted shielding to prevent any new bugs, and rebuilt the upper floors. Soviet workers arranged darker colored bricks so that one could read “СССР” (Russian for USSR) in the façade of the U.S. Embassy. Source: © Associated Press.

and inspect the construction work to see if workers had tampered with or altered parts of the project. DS also developed a Transit Security program to ensure the secure transport of construction materials to the site, and that only designated, cleared workers could enter the site.²⁹

Despite the new construction security measures, the question of securing the NOB's classified floors remained. Assistant Secretary Lamb endorsed a plan to nearly triple the amount of space dedicated to classified work, and the Inman Panel had favored improving shielding at all U.S. embassies in medium to high threat environments.



Figure 16: Sergeant Clayton J. Lonetree, U.S. Marine Corps. Lonetree served as a Marine Security Guard at the U.S. Embassies in Moscow and Vienna. While in Moscow, he became involved with a Russian woman, and supplied classified materials about both embassies to "Uncle Sasha." He was convicted and sent to prison. Source: © Associated Press/Mark Wilson.

A special multiple agency taskforce recommended installing specialized shielding in the NOB, but DS argued that the experimental system did not justify the \$21 million price tag. DS instead proposed more traditional shielding, which would cost only \$5 million and delay the building's completion only until mid-1989. As Under Secretary of State for Management Ronald Spiers explained to Secretary Shultz, delaying construction and increasing the cost of the Moscow Embassy project would be highly unpopular with Congress. On the other hand, completing the facility without shielding, Spiers said, would leave it without the necessary protection and subject the Department to further criticism and scrutiny from other agencies. Shultz approved DS's proposal.³⁰

Congress was already critical of management and security at the NOB construction site when the Reagan Administration and the Soviets drew further attention to security at the U.S. Embassy in Moscow, resulting in the withdrawal of all Soviet nationals from embassy employment. Despite opposition by U.S. Ambassador Arthur A. Hartman and several Embassy officers, the Department (as recommended by the Inman Panel) proposed a reduction in the number of Soviet nationals working at the Embassy. In late August 1986, the FBI arrested a Soviet employee at the United Nations for espionage, and the Soviets reciprocated by arresting a *U.S. News and*

World Report reporter. At the same time, a bipartisan measure was moving through Congress that called for a reduction in the number of Soviets working at the United Nations. When Congress issued its report in early October—the report insisted that the employment of Soviet nationals constituted a “threat to the security of U.S. operations”—the Soviets told the White House that they would not comply with the reductions. President Reagan then expelled several Soviet officials from the United States, and the Soviet Union and the United States proceeded to engage in a series of reciprocal expulsions that culminated in the Soviets’ withdrawal of all Soviet nationals from employment at the U.S. Embassy in Moscow.³¹

Amid this atmosphere, newspaper headlines announced that two Marine Security Guards (MSGs), Sergeants Clayton J. Lonetree and Arnold Bracy, had worked with “Uncle Sasha” (the cover for KGB officer Aleksei G. Yefimov) and facilitated KGB espionage of the U.S. Embassy in Moscow. News that Lonetree had committed espionage appeared in early January; then in February, Ambassador Hartman and the Department divulged that several MSGs at the Embassy were dismissed from duty for rules and currency violations, actions unrelated to the Lonetree affair.³² The revelation that a second Marine guard had engaged in espionage, however, brought the entire affair to the cover of the April 20, 1987 edition of *Time*, and *Time*’s cover showed a Marine in dress uniform with a large black eye next to the phrase “Spy Scandals” in large letters. Secretary of Defense Caspar Weinberger called the revelations “a very great loss,” and Assistant Secretary Lamb said “a serious loss of classified information” had occurred.³³ As the third security breach at Embassy Moscow in nearly as many years, the Lonetree-Bracy affair was problematic, not because Marine guards had assisted the KGB spies whom they were assigned to keep out, but because Lonetree and Bracy confessed to letting KGB agents into the most sensitive areas of the Embassy, the secure upper floors that included the Communications Programs Unit (CPU).³⁴

Confusion clouded events and the cases, in part because Bracy recanted his confession; however, Lonetree and Bracy (if the latter did assist the KGB) may have been separate espionage efforts. Both Marines became romantically involved with Russian female employees, and both women introduced the two Marines to “Uncle Sasha.” The two guards, however, could not have conspired together because they only stood night watch duty together twice, in October 1985 and in November 1985, and both instances occurred before Lonetree began cooperating with Yefimov. Lonetree assisted Uncle Sasha during his assignment at Embassy Moscow and later in Vienna. He confessed to providing Yefimov with



Figure 17: As part of the DS Antiterrorism Assistance program, DS Special Agents are shown here training a partner nation's security force. Source: Department of State Records.

floor plans of secure upper floors of both embassies, and with the identities—and in some cases, photographs—of persons working for other agencies. Bracy later confessed that he assisted Lonetree in allowing Soviet agents to have access to classified areas of the U.S. Embassy in Moscow, assistance which included turning off alarms. Bracy later recanted his confession, after he twice failed lie detector tests. Only Lonetree was convicted of espionage, but he denied working with Bracy and passed polygraph tests on this question.³⁵

After Bracy's March 1987 confession, the White House, Department of State, Marine Corps, and other agencies were in a "near crisis" atmosphere, and the Department of State and the Marine Corps quickly made several changes to security at Embassy Moscow. On March 25, the Department ordered the Embassy to stop transmission of all classified communications and processing of classified information. All communications equipment—a total of 120 crates—as well as the secure conference rooms were removed and returned to Washington for inspection. Classified communications did not restart until April 1988, when Secretary Shultz travelled to Moscow for a two-day visit. On March 30, 1987, the entire Marine Security Guard detail was replaced with 28 new Marines. Regional Security Officer Frederick Mecke, who had requested Bracy's removal from post and had improved security at the Embassy, was recalled and reassigned to Washington. Mecke's reassignment was not unusual; by November 1987, around 70 percent of Embassy personnel received new assignments and were replaced.³⁶

The White House could not ignore the scandal, and President Reagan named three commissions to review security at the U.S. Embassy in Moscow. Former Secretary of Defense Melvin Laird headed the Moscow Assessment Review Panel, which studied security procedures and the state of security at the existing Embassy in Moscow. Among

other things, the Laird Commission held Ambassador Hartman responsible for the lax security at the Embassy, saying that he "failed to take appropriate steps to correct the situation." Former Secretary of Defense and Director of the CIA James Schlesinger headed another commission that studied the NOB structure. In his report, Schlesinger charged that the bugs in the NOB were "both foreseeable and foreseen," and the Department of State "was one of the last to get on board" in appreciating the extent and pervasiveness of the Soviet espionage. Third, Reagan asked Anne Armstrong, Chair of the President's Foreign Intelligence Advisory Board (PFIAB), to review security at the U.S. mission in Moscow. PFIAB recommended spending \$80 million to remove the bugs from the NOB, and apparently reiterated many of Laird's and Schlesinger's criticisms.³⁷



Figure 18: Senator Olympia Snowe (R-Maine). While serving in the House of Representatives, Snowe and Daniel Mica (D-Florida) were critical of the Department of State's handling of security at the U.S. Embassy in Moscow, once using a Magic Slate to illustrate the lack of security. Despite the criticism, Snowe was a strong supporter of DS. Source: © Associated Press / Dennis Paquin.

Seizing upon the Embassy's problems, Congress dramatized the lack of security in Moscow in order to force improvements in security at the Department of State. Representatives Daniel Mica (D-Florida) and Olympia Snow (R-Maine), the Chair and ranking minority member of the House Foreign Affairs Committee respectively, travelled to Moscow to investigate security conditions at the Embassy. Supporters of SY and DS, Mica and Snowe held a press conference and displayed a "Magic Slate" (an erasable tablet) to dramatize the lack of security at the Embassy. Mica said that he and Snowe were told during their briefing that the Magic Slate was "the only secure means of communication in the embassy." While the Magic Slate had an element of humor, Snowe and Mica's findings possessed none: "[T]he embassy's security system has serious shortcomings and is fundamentally flawed in both physical and personnel areas."³⁸

Congress used the Marine Security Guard scandal to examine several security-related issues. Besides delving into the training of Marine Security Guards and management of the MSG program, Congressional committees scrutinized security at the bug-plagued, partially constructed NOB and at the existing Embassy. Committee members reviewed U.S.-Soviet agreements and the site selection for the new U.S. Embassy in Moscow and the new Soviet Embassy in Washington, which had occurred during the height of détente under President Richard Nixon and National Security Adviser Henry Kissinger. Congress studied the security threat posed by the new Soviet Embassy on Mount Alto, and some Congressmen moved to eject the Soviets from Mount Alto (the highest point in the District of Columbia) and relocate the Soviet Union's embassy elsewhere in Washington.³⁹

Barely a year old, the Bureau of Diplomatic Security confronted a major security breach that questioned the Department's ability to maintain security at its posts. As part of its response, DS refused to waver in its support of the Marines and the MSG program, and it took the attitude that Lonetree and Bracy were only two "bad apples" in a program that had done excellent work for many years. DS officials later admitted that the Marine Corps took the Lonetree and Bracy revelations pretty "hard," and that the affair "shamed" the MSG program. The Department of State, however, proceeded to conclude a new memorandum of agreement with the Marine Corps, a vote of confidence in the Marine Corps that had served the Department so well. Senior DS officials Mark Mulvey and Greg Bujac, among others, defended the Marines before Congress. Mulvey described the Marines' honorable efforts in Saigon and how the Marine guards had saved the U.S. Embassy building in Cyprus from burning down, and probably saved U.S. lives as well. Bujac, meanwhile, described the "positive and rewarding" relationships that he and other RSOs had developed with the Marine detachments, which he attributed to the Marines' highly professional conduct and personal integrity. DS was not going to let two "bad apples" taint what was an otherwise successful program.⁴⁰

As a result of the Lonetree-Bracy affair, DS reformed and expanded its Criminal Investigations office, for as one former CI agent remarked, "CI had not done its job." The Laird Commission acknowledged that CI had made "a strong effort" to coordinate with other agencies; however, CI's briefings of U.S. personnel contained "moldy," "uninteresting," and excessively general information. DS brought in FBI Special Agent Ray Mislock



Figure 19: A DS Security Engineering Officer (left) confers with a General Services Officer at a construction site in the U.S. Embassy Compound in Brussels, Belgium. Discovery of the foundations of a “bug” network in the U.S. Embassy in Moscow elevated construction security as a key concern. Construction Security was transferred to the Foreign Buildings Office (now called Overseas Buildings Operations), but DS maintains a strong voice in the security standards for any new Department of State building. Source: Private collection.

to reorganize the office, and as a result, CI adopted many FBI techniques. DS increased CI’s staffing and improved its training. By the fall of 1988, DS had authorized 38 CI positions, filled 23 of them, and had 4 officers detailed from other agencies.⁴¹

DS’s Construction Security encountered difficulties from FBO. FBO did not want either a DS security team or even a DS officer at the construction sites. Furthermore, FBO feared that DS would slow down the work, and thus increase project costs, or would infringe upon the project director’s work. FBO sought to have the Security Officer report to FBO rather than DS. Ultimately, Construction Security was transferred to FBO on December 22, 1989, and renamed Construction Security Management.⁴²

Congress and the Reagan Administration moved to resolve the dilemma about what to do with the bug-riddled, partially constructed U.S. Embassy in Moscow. Of the three commissions appointed by

President Reagan to review Embassy Moscow security, PFIAB and the Schlesinger Commission recommended partial rebuilding of the NOB. Schlesinger suggested tearing down only the top few floors of the NOB, rebuilding them, and building a six-story annex next door, for a total cost of \$35 million; meanwhile, PFIAB advised spending \$80 million to clean out the bugs in the NOB structure. The Senate Select Committee on Intelligence, however, voted unanimously to demolish the building and start over. A Department of State-commissioned study by the BDM Corporation and MK Ferguson Company concluded that razing and rebuilding the new Moscow Embassy was the better option, and it would cost \$160 million and take 45 months to complete (1992). In October 1988, President Reagan announced that the NOB would be demolished because “there’s no way to rid it of the many listening devices that have been built into it.” Secretary Shultz concurred, saying that demolition and rebuilding was “the only option.” The United States was also considering suing the Soviets in order to recoup some of the costs of the compromised structure.⁴³

From Risk Avoidance to Risk Management

Despite the uproar over the Moscow Embassy, DS faced budget cuts in 1988. One Congressional committee aide remarked, “Diplomatic Security were the hotshots for a little while and got overextended. They’ve got some

real problems now, but I don't know how much of it they brought on themselves." The urgency to improve security after the Beirut attacks had faded, and for fiscal year (FY) 1988, the Reagan Administration requested \$303 million for DS, well below the \$458 million anticipated by the Bureau. Assistant Secretary Lamb admitted, "Each post is going to see cutbacks in every [security] program." The Office of Management and Budget (OMB) set a ceiling of \$303 million for DS's budget in FYs 1989 and 1990 as well. In FY 1990, the total funds available to DS were only \$180 million, and DS leaders questioned whether they could fulfill the security responsibilities authorized by Congress.⁴⁴

The budget cuts, in part, reflected the end of the Cold War and the collapse of the Soviet bloc and the Soviet Union between 1989 and 1991. Soviet Premier Mikhail Gorbachev enacted the domestic policies of *glasnost* and *perestroika* ("openness" and "restructuring"), which enabled Soviet citizens to criticize various policies and actions taken by the Soviet government. U.S. Embassy officers in Moscow claimed "the prospects [that] the Gorbachevian reforms open for the Embassy to influence change in Soviet society are unprecedented." Gorbachev also encouraged Soviet satellite nations to adopt similar policies, and in the fall of 1989, the United States and the world witnessed the collapse of Soviet-backed Communist governments across Eastern Europe. Perhaps few events were as dramatic as the fall of the Berlin Wall on November 9, 1989, and the subsequent reunification of Germany in October 1990. Former head of the CIA William E. Colby found himself advising East European intelligence



Figure 20: DS Special Agents (left and right) provide security for South African anti-apartheid leader Nelson Mandela during his June 1990 visit to New York. By 1990, the DS Bureau's duties and tasks were expanding, even as it was enduring budget cuts at the end of the Cold War. Source: © Associated Press.



Figure 21: Mikhail Gorbachev, the last Premier of the Soviet Union, closes his resignation speech, delivered on Soviet television on December 25, 1991. With his resignation, the familiar red flag with the hammer and sickle was lowered from the Kremlin's flagpole. With the collapse and end of the Soviet Union, DS suffered budget cuts and losses of personnel due to the false sense that threats to the United States and its diplomacy had ended. In a few short years, many would be reminded that diplomatic threats had dramatically expanded since the late 1960s because of terrorism. Source: © Associated Press / Liu Heung Shing.



Figure 22: A DS Special Agent (center rear) provides security for U.S. Secretary of State James A. Baker, III (center) during his November 1990 visit with U.S. troops in Saudi Arabia. The U.S. troops were part of Operation Desert Shield, which sought to protect Saudi Arabia and other Persian Gulf states from potential aggression by Iraqi dictator Saddam Hussein. Hussein had recently invaded the neighboring state of Kuwait. Source: Private collection.

services on how to operate in a democratic society. Colby even appeared in a 30-second television ad, calling for what would be called “the peace dividend,” a 50 percent reduction in military spending, which would be reinvested in education, health care, and other parts of the U.S. economy.⁴⁵

Meanwhile, tensions increased between the United States and Iraq during 1990 and 1991 when Iraqi dictator Saddam Hussein invaded the neighboring nation of Kuwait, and DS experienced the odd situation of facing increased demands for its services, notwithstanding cuts in its budget. President George H. W. Bush ordered Operation Desert Shield in the fall of 1990, which defended Saudi Arabia and Israel from potential Iraqi aggression, and then Operation Desert Storm in January 1991, which liberated Kuwait from the Iraqi army. The Department of State reported an increased amount of hostile surveillance of U.S. facilities and personnel, and a rise in terrorist threats against U.S. interests. DS increased guard services at several Middle East posts, and sent security teams to posts considered to be at highest risk in order to develop contingency planning for terrorism and mob violence. Actions by Iraq prompted the evacuation of thousands of people from a number of high threat posts, increased protective security, and overtime work by RSOs and DS agents. The Department estimated

that it incurred an additional \$22 million in expenses for increased diplomatic security and another \$11 million in evacuation costs as a result of the Gulf War. Ironically, Congress agreed to large security supplemental appropriations for Operation Desert Storm while debating a reduction of budget appropriation for DS.⁴⁶

The supplementals for the 1991 Gulf War did not arrest the trend of budget cuts and staff reductions faced by DS. DS shifted its goals and philosophy from total risk avoidance, as promoted in the mid-1980s, to reducing risk “to an acceptable level” where possible, i.e. risk management⁴⁷ This shift in approach, DS hoped, would allow it to direct its increasingly limited resources toward its most urgent security needs. DS, together with the Overseas

Security Policy Group, undertook a wholesale review of existing overseas security standards.⁴⁸ In addition, DS revised its Composite Threat List (CTL). Initiated in 1987 and published on a quarterly basis by the Threat Analysis Division (TAD), the CTL initially determined crime and terrorist threats to each post overseas. In 1990, the CTL expanded the number of threat categories TAD evaluated to terrorism, human intelligence, technical intelligence, and local crime. The criteria for determining the level of threat in each category included the actual expression of the threats, the credibility of the threats, the level of local stability and civil order, and quality of the bilateral relations between the United States and the host government. With the expanded threat assessment, DS could implement the revised security standards in a threat-driven, post-specific manner. Facing continued funding reductions, DS could manage risk, and cut local guard and the armored vehicle programs at those posts deemed at a lower risk.⁴⁹

By the spring of 1991, the budget cuts began affecting DS operations. Lamb's successor, Assistant Secretary of State for Diplomatic Security Sheldon Krys noted that staffing shortages had forced him to employ front office personnel on protective details. Overseas support positions were not filled, and technical security countermeasures work fell behind. In March 1992, Under Secretary of State for Management John W. Rogers informed the House Subcommittee on Commerce, Justice, and State that the Department faced a conflict between security measures demanded by its revised security standards and the Department's ability to pay for implementing those standards.⁵⁰



Figure 23: U.S. Ambassador Edward William Gnehm, Jr. (center), with a Mobile Security Detail, reopens the U.S. Embassy in Kuwait at the end of the 1991 Gulf War. Although the Gulf War brought supplemental funding to improve security at several posts, DS continued to experience budget cuts and shifted its strategy to "risk management" in order to target its limited resources to those posts most at risk. Source: Bureau of Diplomatic Security Files.



Figure 24: Secretary of State James A. Baker, III. Secretary Baker announced in December 1989 that the United States would tear down the upper floors of the partially-constructed U.S. Embassy in Moscow, insert shielding, and rebuild the floors with U.S. workers and materials. Source: Department of State.

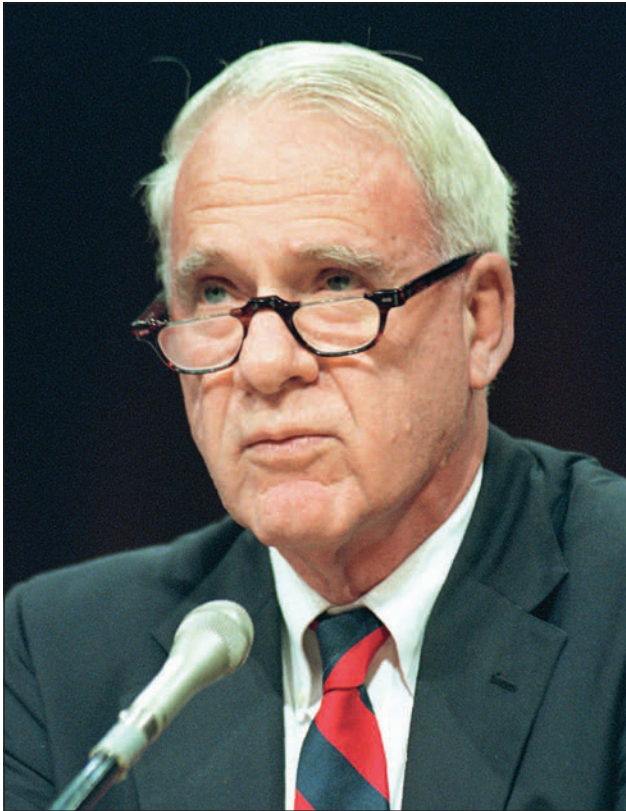


Figure 25: James R. Schlesinger. Former Secretary of Defense, Secretary of Energy, and Director of Central Intelligence, Schlesinger headed a commission that investigated security at the U.S. Embassy in Moscow, and his commission recommended the plan ultimately adopted by the U.S. Government for the partially constructed Embassy. Source: © Associated Press / John Duricka.

The Half-Completed Embassy

Despite President Reagan's decision to raze and rebuild the NOB, his successor, President George H. W. Bush, had to determine how to pay for the project. In March 1989, the Bush Administration announced that it was reconsidering the decision to raze the NOB. The Senate Intelligence Committee was angry, declaring that any other plan than razing the NOB structure would invite a "security disaster," and it reminded the President of a 1988 law that barred any spending of funds on the U.S. Embassy in Moscow without permission from the Appropriation Committees of both houses of Congress.⁵¹

In October 1989, the Department of State announced that it would tear down part of the NOB structure and rebuild the upper floors only, a plan which drew upon the shielding plan initially endorsed by Secretary Shultz and advocated by the Schlesinger Commission. Department officials informed Congress that razing the NOB would actually cost \$300-400 million and take more than 5 years, larger and longer estimates than suggested previously. The Department also established a Moscow Embassy Building Control Office (MEBCO) to oversee the chancery construction project. The

Director of MEBCO would report directly to the Under Secretary of State of Management, and would have responsibility for all aspects of the new building project, including planning, design, construction, security, acquisition, logistics, budgets, and schedules. DS worked closely with MEBCO, which was staffed by Department of State and intelligence community employees, and all awaited a final decision on how reconstruction and/or demolition of the building were to proceed.⁵²

Partly as a result of Congressional opposition, Secretary of State James A. Baker announced two months later (December 1989) that the Bush Administration would raze the NOB, but Under Secretary of State for Management Ivan Selin offered the caveat: the Department would tear down the structure to the foundation and use shielding "to isolate the foundation" and create a secure work space. The Bush Administration also reverted

to the original \$270 million price tag, but said the project would take 5½ years. By April 1990, U.S. and Soviet officials were nearing an agreement on the project, as required by the original 1972 agreement.⁵³

On March 28, 1991, a fire broke out in the existing Embassy Moscow office building. Two welders were working on the elevator shaft, and the fire ignited some flammable material and quickly spread to the upper secure floors of the Embassy. Soviet firefighters quickly responded to the scene and began fighting the fire. Four floors suffered extensive fire, smoke, and water damage. Marine Security Guards with gas masks initially escorted the Soviet firefighters but had to leave the building when their gas masks gave out. As had occurred during the fire in 1977, the Regional Security Officer caught Soviet firefighters looking around the building and taking small items such as alarm clocks, picture frames, and drinks. One month after the fire, accusations arose that unescorted KGB agents dressed as firefighters had entered the vaults and other secure areas during the fire, and that secure telephones and other communications equipment were missing from the Embassy. A preliminary report from Assistant Secretary Kryz acknowledged that Soviet firefighters entered areas of the Embassy without escorts, some offices were evacuated before safes and other material had been secured, some unclassified computer discs were missing, and some material and equipment had been compromised. The team investigating the damaged floors, however, found no evidence that cryptographic or other communications equipment had been taken and that the most sensitive areas of the Embassy were appropriately secured during the emergency.⁵⁴



Figure 26: Two DS Special Agents sit with famed Romanian Olympic Gold Medal gymnast Nadia Comaneci (center). In December 1989, Comaneci defected, seeking asylum in the United States. The two DS Special Agents are part of her protective detail. Source: Private collection.



Figure 27: Tom Clancy, author of several espionage novels, prepares to tape an introduction to a DS counterintelligence video in December 1988. Security Awareness video producer Jo Harben stands at left. DS officials recognized quickly that computer technologies not only transformed work within the Department, but also presented new vulnerabilities and threats to U.S. diplomacy. DS Security Awareness programs sought to inform and encourage Department personnel to adhere to security practices that would impede espionage efforts. Source: Bureau of Diplomatic Security Files.

Although the security breach was much less damaging than initially suspected, the fire pushed the Department of State and Congress to resolve the future of the NOB. The lack of space, alternatives, and security amenities compelled Under Secretary Selin to move executive and classified operations to the south wing of the new compound, which housed recreational facilities. The bowling alley was converted into the communications center, and was dubbed “the submarine.” One-half of the parking garage was turned into workspace. Pressed for space and facing growing Congressional opposition to additional expenditures, the Department decided to take up Schlesinger’s 1985 shielding plan, that is, the Department would demolish and rebuild the upper floors of the NOB, and then insert shielding between the unclassified lower floors and the classified upper floors.⁵⁵

With a decision on the NOB finally made, the Department started to prepare for rebuilding the NOB. In June 1992, the United States and the Russian Federation signed a bilateral Supplemental Conditions of Construction Agreement. The agreement permitted the Department to tear down the upper floors of the new chancery and begin construction with a U.S.-controlled design, U.S. construction workers with Top Secret clearances, a U.S. contractor, and U.S. materials. Congress appropriated \$240 million for the project for FYs 1992 and 1993. Congress also stipulated that MEBCO must submit a detailed plan for review. More than seven years after the discovery of bugs in the structure, work on the NOB was about to begin again.⁵⁶

Technological Revolution and Unhappy Merger



Figure 28 Wang Laboratories, Inc., headquarters. The Department of State purchased its computers from Wang Laboratories. Wang’s self-enclosed system provided the Department with a degree of computer security during the early years of the computer revolution because the Wang system could not interface with the more popular IBM system. Moreover, DS and its predecessor SY insisted from the beginning that the Department maintain two computer systems: classified and unclassified. Source: © Associated Press / Townson.

During an April 1987 meeting with Soviet Premier Mikhail Gorbachev, Secretary Shultz explained that the world was experiencing an information revolution as a result of the innovations in computer technology. Gorbachev admitted that science and technology had fostered dramatic changes and growth during the 1980s; however, Shultz did not believe that the Soviet leader had fully grasped the magnitude of developments. The Secretary stressed that with the information revolution, “the old categories” of capital and labor were “becoming obsolete” and “the truly important capital is human capital, what people know, [and] how freely they exchange information and knowledge.” “The key,” said Shultz, “is going to be knowledge-based productivity, even in defense: an aircraft carrier is really one big information system.”⁵⁷

If, as Secretary Shultz noted, an aircraft carrier was now one big information system, then a system is only as secure as the weakest link, and the challenge for DS was determining the weak links, or vulnerabilities, of the Department's computer systems. By the mid-1980s, DS was already concerned about hackers and security breaches, and to a degree, the threat of a hacker like Matthew Broderick's character in the 1984 film *War Games* was a real possibility. DS officials worried that a hacker might dial into the Department's system undetected, and implant trojan horses, time bombs, trap doors, or viruses. Hackers were also increasingly sophisticated in their knowledge and tactics, sharing knowledge with each other, and seeking to do much more than merely getting into the Department's system in order to brag about it later. With more and more FSOs using modems, DS also grew concerned about unfriendly parties tapping into the unsecured telecommunications lines used by FSOs and obtaining copies of facsimiles, messages, and/or documents. Moreover, DS made clear in 1988 that many people who used personal computers were relying on good faith, and that reliance upon passwords and access codes as one's primary security barrier was "no longer valid." Part of the problem rested with the fact that many users employed the same password or access code for several systems, used variations of a single password, or selected easily identifiable passwords such as birthdays, anniversaries, and names of children, spouses, or pets.⁵⁸

Several U.S. Government entities began setting the computer security policy for the federal government. With NSDD-145, President Reagan designated the National Security Agency as the "national manager" for the security of the U.S. Government's computer and telecommunications networks. Congress passed and Reagan signed the Computer Security Act of 1987, and among its provisions, computer security procedures to be implemented by the OMB were defined, as was the category of "Sensitive But Unclassified" (SBU) information. The Reagan White House also issued NSDD-211, which placed the Department of State in charge of the Diplomatic Telecommunications Service (DTS), which was largely managed by the Office of Communications but worked closely with DS to maintain its security.⁵⁹



Figure 29: Sheldon J. Kryz, Assistant Secretary of State for Diplomatic Security, 1989-1992. Kryz favored DS taking the lead in information and computer security. The Office of Information Management (IM), the Department's office for computer and communications operations, was merged with DS. The merger did not go as hoped, and Kryz concluded that IM should be its own bureau. In 1992, IM was separated from DS. Source: Bureau of Diplomatic Security Files.

DS and its predecessor SY had shaped several elements of the Department's computer security policy. Due to the self-enclosed structure of the Wang system, the Department of State enjoyed a certain degree of computer security because the Wang system was incompatible with outside networks such as the Internet. Furthermore, DS insisted from the beginning that the Department had to have two distinct and separate systems: classified and unclassified. DS engineers recognized that there was no effective means to protect state secrets and national security within a single combined information system.⁶⁰ While some Department officials wanted a single network, DS insisted upon separate networks, separate email systems, and a strict ban on email between the classified and unclassified networks. DS was working to connect Department personnel in Washington and overseas to email networks. In 1991, only 17 percent of unclassified users and 18 percent of classified users had access to email. By 1993, despite costs that were running close to \$10 million, DS planned to provide 77 percent of unclassified users and 48 percent of classified users with access to email.⁶¹

With DS's rise to bureau level, some DS officials believed that DS should take the lead on information security. In 1987 and 1988, Director of Technical Security Gregorie Bujac, among others, argued unsuccessfully for moving information security into DS. Yet security breaches such as the Lonetree/Bracy affair, the drive to centralize security programs in DS, and the 1987 Computer Security Act, had prompted the Department of State to combine communications, computer operations, office automation, and records management into Office of Information Management (IM) under the Bureau of Administration. Then, in 1989, in an effort to improve information security and better coordination of information, the Department, through the efforts of Assistant Secretary Kryz, transferred IM to DS.⁶² The IM transfer incorporated OC's Office of Security (OC/S) and all of OC's electronic and technical countermeasures into DS. Also, OC's Field Inspection Teams went to DS, as did the Shield Enclosure program for post communications centers.⁶³



Figure 30: DS Special Agents (left and right) protect Great Britain's Princess Diana during her February 1989 visit to a Harlem AIDS Center in New York City. Source: Private collection.

The merger of IM and DS proved unpopular and difficult, and the rapid pace of innovation in computer technologies aggravated the situation. Several officials in OC and IM did not like the transfer. One OC/S veteran, Robert Surprise, who was studying at the National Defense University in 1990, devoted his research paper to a reassessment of IM's transfer to DS. Surprise concluded that the merger did not achieve its intended goals, and that "user and IM communities have expressed dissatisfaction with the new structure" because it was "too bureaucratic, unresponsive, and a hindrance to progress." The

Office of the Inspector General used Surprise's paper to argue that IM should be removed from DS and put back into the Bureau of Administration.⁶⁴ Krys, who had favored the initial transfer, concluded after just two years, that IM should be its own bureau (at least theoretically). After three years, Department officials approved IM's move back to the Bureau of Administration. While most information management and communications offices left, the security-oriented offices like Computer Security remained with DS.⁶⁵

Conclusion

During the six years after its creation, DS experienced a series of disappointments. Its budget suffered constant cuts; its personnel were cut, retired, or not replaced; and its programs operated at a reduced level. The new Embassy Moscow building had a plan, but progress remained stalled. The merger between DS and IM went poorly, and after three years, IM moved back to the Bureau of Administration. DS was not the only bureau or agency that suffered cuts, because the euphoria of the ending of the Cold War pervaded Congressional and U.S. Government thinking. Did the end of the Cold War mean fewer threats to security, and thus require a reduction of DS? Did the end of the Cold War mean the end of terrorism as well? In 1992, these remained open questions.

Endnotes

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